

# Computers in Business

## **Standard 5**

Students will learn how to use the stock market as an investment tool.

**Stock Market as an Investment Tool**  
**Standard 0000-05**  
**Objective 0501, 0502, 0503, 0504**

**Overview:**

Students will be able to define and explain basic stock market terminology, understand what stock (equity) is as it pertains to ownership in public corporations, be able to read stock quotes on the Internet and/or the newspaper, and simulate the buying and selling of stock.

**Activities:**

- Students will review the stock market vocabulary
- Students will review how to read a page in Yahoo Finance
- Students will be directed in a stock market simulation such as the Stock Market Game, Bank HS, or some other portfolio directed stock simulation.
- Students will review “How to Make Millions in the Stock Market”

# STOCK MARKET TERMINOLOGY

<b>Stock:</b>	Shares in the ownership of a corporation.
<b>Stock Market:</b>	Place where stocks and bonds are regularly bought and sold. (Same as Stock Exchange)
<b>Stockbroker:</b>	A licensed specialist who helps investors buy and sell stocks and bonds.
<b>Commission:</b>	A fee charged by brokers for their services.
<b>Stock Exchange:</b>	Place where stocks and bonds are regularly bought and sold. (Same as Stock Market)
<b>Shareholders:</b>	People who own stock in a corporation.
<b>Dividends:</b>	The part of the profits of a corporation that each shareholder receives.
<b>Bull Market:</b>	A phrase which means the stock market is going up.
<b>Bear Market:</b>	A phrase which means the stock market is going down.
<b>Equity:</b>	Ownership of a stock in a company, or also, how much money your stock is worth minus the amount you owe.

## Other helpful Terminology

<b>PE (price-to-earnings ratio):</b>	The relationship between the price of the stock and the earnings generated by the company in the current year.
<b>High:</b>	The highest price for the stock in the trading day.
<b>Low:</b>	The lowest price for the stock in the trading day.
<b>Close:</b>	The price of the stock at the time the stock market closes for the day.
<b>Chg (Change):</b>	The difference between two successive days' closing price of the stock.
<b>Yld (Yield):</b>	Dividend divided by price.

## **Stock Market Simulations**

Stock Market simulations here in Utah are an excellent way for students to participate and experience what is like to trade in the stock market.

### **Stock Market Game**

The Utah Council on Economic Education, the Security and Exchange Division work together to provide a stock market simulation in a competitive environment. To register and study more about this game go to <http://www.smgww.org>

The neat part of this program is there are many teacher resources which you can access without even playing the game. The main homepage has frequently asked questions and links to all the resources you need to get involved in the game.

Cost is 12 dollars per team of students playing the game. Teachers can play on their own for free, and can attend an excellent training for Free (as well as paid lodging, food, and substitute) before the game begins. At this training you receive even more resources to help in your teaching.

### **Bank HS**

Bank HS powered by Zions Bank, has many resources for economic education, including a stock market simulation. This one is free, and can be done for any length of time. To get to this site go to <http://www.bankhs.com/> and click on the teachers link at the top of the page. In the middle of the page, there is a link that says Stock Market Simulation. This will give you a quick overview of the simulation before going to the site that actually runs the simulation.

### **Running your Own Simulation**

Another way to do a stock market simulation is simply to do it yourself.

1. Have the students research and choose the stocks they wish to purchase.
2. Have them calculate the cost of the stock for the number of shares they wish to purchase (remember to include a commission)
3. Have them monitor the change in the stock price from one day to the next.
4. At the end of the time period have the students calculate the value of the stock.

## HOW TO READ AN INTERNET STOCK TABLE

GOOGLE (NasdaqGS:GOOG)

Edit

After Hours: 679.23 0.00 (0.00%) as of 5:30PM ET on 10/29/07

Last Trade:	679.23	Day's Range:	672.09 - 680.00
Trade Time:	4:00PM ET	52wk Range:	437.00 - 678.97
Change:	↑ 4.63 (0.69%)	Volume:	3,066,287
Prev Close:	674.60	Avg Vol (3m):	4,808,200
Open:	677.46	Market Cap:	212.01B
Bid:	678.65 × 1000	P/E (ttm):	53.14
Ask:	679.12 × 100	EPS (ttm):	12.78
1y Target Est:	732.96	Div & Yield:	N/A (N/A)

New! Try our new Charts in Beta

GOOG 29-Oct 4:00pm (C)Yahoo!



1d 5d 3m 6m 1y 2y 5y

[Annual Report for GOOG](#)

**Last Trade:** The last trading price of one share of stock.

**Trade Time:** The time of the last trade.

**Change:** The difference between the last price of the stock today and the last price of the stock yesterday.

**Prev Close:** The price of one share of stock at the close of the market yesterday.

**Open:** The price of one share of stock at the opening of the market today.

**Bid:** The highest price someone is willing to pay for a share of stock.

**Ask:** The lowest price a seller is willing to sell a share of stock.

**1y Target Est:** Estimate of highest price the stock will reach in a year.

**Day's Range:** The range of the price of one share of stock for today (the lowest price to the highest price).

**52wk Range:** The range of the price of one share of stock for the past year (the lowest price to the highest price).

**Volume:** Shows the number of shares traded today.

**Avg Vol (3m):** Average number of shares traded for the past 3 months.

**Market Cap:** Total number of shares times the current price of each share.

**P/E:** Price-Earnings Ratio. This measures how many times greater the stock price is than the earnings per share.

**EPS:** Earnings Per Share. A company's profit divided by the number of shares the company still has to sell.

**Div & Yield:** Div = dividend paid for each share of stock. Yield = amount of dividends received per share of stock compared with the price of the stock.

Stock table taken from <http://finance.yahoo.com/>. Type in the company symbol and click "get quotes". Yahoo Finance is an invaluable resource in researching stocks.

# How to Make Millions in the Stock Market

OVERVIEW: The students will learn how the stock market works and some investment strategies.

## ACTIVITIES:

- Have the students go to the following web site:  
<http://www.econedlink.org/>
- Click on *Here's Your Chance to Make Million in the Stock Market Part 1*
- Have the students complete Part 1, 2, & 3
- Students will learn the following in this activity:

**Part 1:** In this lesson you learn how efficient markets affect investor's efforts to time the stock market; they also learn why people who invest in stocks should have long-term investment goals. Part I begins by having you read and discuss a story. A small exercise is included which demonstrates that predicting what a stock might do next is not so easy. Parts II and III take you through an interactive historical simulation and gives you a chance to make investment decisions.

**Part 2:** In Part I of this three-lesson series, the theory of efficient markets was explained. The premise of this theory is that all asset prices reflect their true value based on all currently available information. If an asset or share of stock was truly undervalued, investors would step in, buy shares, and bid up the stock price until it was accurately valued. The converse is also true:

if an asset was overvalued, investors would sell the asset and, in the process, force the price down until it also was accurately priced. In summary, you should have learned that there are no easy "twenty dollar bills" just lying around waiting for you to come by and pick them up. The following lesson may give you an idea of how difficult it is to time the stock market. You will be given the chance to make decisions about investing in stocks at various times over the last 80 years. Even if you know some history of the U.S. stock market, you will likely still find it difficult to choose correctly every time.

**Part 3:** Part I of this three-part series of lessons explained the theory of efficient markets. Part II explained some of the key statistics that some investors use in making investment decisions. It then took you on through an interactive exercise in which you were given the option of investing in stocks or placing your money in the bank. The time period covered in that exercise went from 1920 thorough the end of World War II. Now you will be given another chance to make millions. If you are able to time the market correctly in this next exercise, you could end up with over \$2 million dollars.